

## Message Text

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ACTION EB-07

INFO OCT-01 AF-06 EUR-12 IO-11 ISO-00 FEA-01 AGR-10 CEA-01

CIAE-00 COME-00 DODE-00 FRB-01 H-02 INR-07 INT-05

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STR-04 ITC-01 TRSE-00 USIA-15 PRS-01 SP-02 OMB-01

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FM AMEMBASSY TANANARIVE

TO SECSTATE WASHDC 8078

INFO AMEMBASY PARIS

AMEMBASSY GENEVA

UNCLAS TANANARIVE 0572

GENEVA FOR MTN DELEGATION

E.O. 11652: N/A

TAGS: ETRD, MA

SUBJECT: MADAGASCAR INSTITUTES NEW IMPORT CONTROLS

1. GOVERNMENT OF MADAGASCAR MARCH 27 ISSUED NEW REGULATIONS GREATLY TIGHTENING CONTROLS OVER IMPORTS AND IMPORT LICENSING. PRINCIPAL PROVISIONS OF NEW REGULATIONS ARE: (A) FIRMS PERMITTED TO IMPORT MUST HENCEFORTH BE APPROVED IN ADVANCE BY THE MINISTRY OF THE ECONOMY AND COMMERCE IN ACCORDANCE WITH CERTAIN CRITERIA; (B) CRITERIA FOR APPROVAL TO ENGAGE IN IMPORTING INCLUDE PERCENT OF GOVERNMENT OWNERSHIP, PERCENT OF OWNERSHIP BY MALAGASY NATIONALS, SIZE, CAPITALIZATION, AND NUMBER OF DISTRIBUTION OUTLETS; (C) IN ALLOCATION OF IMPORT LICENSES, THE GOVERNMENT IS TO GIVE PREFERENCE TO ENTERPRISES WHOLLY OR PARTLY OWNED BY THE STATE; (D) MINISTER OF THE ECONOMY MAY DESIGNATE SPECIFIC COUNTRY FROM WHICH IMPORTS MUST BE PURCHASED. COMPLETE OUTLINE OF NEW IMPORT DECREES WILL BE FORWARD BY AIRGRAM.

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2. IN STATEMENT PUBLISHED IN LOCAL PRESS APRIL 3, ECONOMY MINISTER RARIVOSON DECLARED NEW IMPORT REGULATIONS ARE DESIGNED TO LOWER TOTAL VOLUME OF IMPORTS INTO MADAGASCAR, TO REDUCE THE NUMBER OF IMPORTERS (THEREBY PERMITTING STATE TO EXERCISE GREATER CONTROL), AND TO PERMIT THE GDRM TO CHOOSE ITS OWN COMMERCIAL PARTNERS. ACCORDING TO MINISTER, THE GOVERNMENT HAS DECIDED TO EXPAND COMMERCIAL RELATIONS WITH THE "SOCIALIST". NUMBER OF IMPORTERS, NOW APPROXIMATELY 1000, WILL BE REDUCED TO ABOUT 100. TOTAL IMPORTS (WHICH AMOUNTED TO ESTIMATED \$368 MILLION IN 1975) WOULD BE CUT BY FMG 12 BILLION (\$50 MILLION). RARIVOSON ADDED THAT NEW REGULATIONS DO NOT SIGNIFY INTENT "TO ELIMINATE SYSTEMATICALLY FOREIGN COMPANIES" OPERATING IN MADAGASCAR AS LONG AS THE LATTER "PLAY THE GAME" OF THE GOVERNMENT. IN RADIO INTERVIEW APRIL 3, ECONOMY MINISTER ALSO ANNOUNCED THAT QUOTAS WILL BE SET FOR ALL IMPORTS.

3. COMMENT: NEW MALAGASY IMPORT REGULATIONS ARE IN KEEPING WITH CURRENT GOVERNMENT TREND TOWARD EXTENDING TIGHT STATE CONTROLS OVER ALL SECTORS OF THE ECONOMY. MADAGASCAR HAS HAD A FAIRLY THOROUGH IMPORT LICENSING SYSTEM SINCE 1973, BUT LOOSELY ADMINISTERED IN THE PAST. AS INDICATED BY MINISTER RARIVOSON, NEW REGULATIONS APPPEAR DESIGNED BOTH TO REDUCE TOTAL VOLUME OF IMPORTS AND TO PUT MANY MARGINAL NON-MALAGASY IMPORTERS (MAINLY INDIANS AND CHINESE) OUT OF BUSINESS. REGULATIONS SHOULD ALSO GIVE STATE ENTERPRISES THE LION'S SHARE OF MADAGASCAR IMPORT TRADE.

4. EFFECT OF NEW MEASURES ON U.S. EXPORTS TO MADAGASCAR WILL DEPEND ON COMPOSITION OF QUOTAS, WHEN ISSUED, AND ON EXECUTION OF REGULATIONS AND QUOTAS SET BY THE MINISTRY OF THE ECONOMY. SINCE MAIN LOCAL IMPORTERS OF U.S. PRODUCTS ARE AMONG THE LARGEST AND MOST REPUTABLE OF LOCAL FIRMS, EMBASSY EXPECTS TO CONTINUE IN IMPORTING, FOR THE TIME BEING AT LEAST. ADDITIONAL RED TAPE IMPOSED BY NEW SYSTEM AND QUOTA CONTROLS, HOWEVER, WILL PROBABLY TEND TO SLOW COMMERCIAL ACTIVITY AND DISCOURAGE EXPLORATION OF NEW IMPORT LINES.

5. OF PARTICULAR CONCERN TO EMBASSY IS PROVISION OF REGULATIONS THAT MINISTER OF THE ECONOMY MAY DESIGNATE

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COUNTRY WHERE GOOD MUST BE PURCHASED, COUPLED WITH HIS STATEMENT THAT MADAGASCAR WILL EXPAND COMMERCIAL TIES WITH "SOCIALIST" (I.E. COMMUNIST) COUNTRIES. THE GDRM EVIDENTLY INTENDS TO DIVERT AS MUCH AS POSSIBLE OF THE COUNTRY'S TRADE FROM TRADITIONAL CHANNEL (MAINLY FRANCE) TO NEW TRADING PARTNERS IN THE EAST. EMBASSY INTENDS TO MONITOR ADMINISTRATION OF NEW IMPORT REGULATIONS CLOSELY FOR EVIDENCE OF DISCRIMINATION AGAINST U.S. EXPORTS. WE WILL ALSO ENSURE

THAT APPROPRIATE OFFICIALS OF THE GDRM ARE FULLY AWARE THAT  
MALAGASY EXPORTS TO THE U.S. (\$49 MILLION IN 1975) FAR EXCEED  
U.S. SALES TO MADAGASCAR (\$8 MILLION IN 1975). SHEINBAUM

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